2015 RESULTS

Presentation to Analysts and Investors

25 February 2016

AGENDA

Delivering for our key stakeholders	**António Horta-Osório** Group Chief Executive
Financial results	**George Culmer** Chief Financial Officer

2015 HIGHLIGHTS

Good strategic and financial progress as our differentiated UK focused model continues to deliver

- **Robust financial performance with increased underlying profits and returns**
  - Increased underlying profit with higher income, improved cost:income ratio and lower impairments
  - Statutory profit before tax of £1.6bn after £4.0bn for PPI and £0.7bn charge relating to the sale of TSB
  - Capital generation in year of 300bps, pre-dividends and PPI costs
- **Our differentiated UK focused business model continues to deliver**
  - Further strategic and financial progress
  - Low risk business model and cost discipline provide security and competitive advantage
  - Simple, UK focused, multi-brand model and actively responding to lower for longer interest rates
  - Return on required equity and cost:income guidance reaffirmed, though timing deferred
  - Capital generation will remain strong
- **Helping Britain Prosper through continued support to SMEs and first-time buyers**
- **Total ordinary dividend of 2.25p per share and a special dividend of 0.5p per share**

FINANCIAL PERFORMANCE

Underlying profit and returns improved with strong balance sheet and increased dividends

Income	£17.6bn 1%	↑
Underlying profit	£8.1bn 5%	↑
Underlying return on required equity	15.0% 1.4pp	↑
Statutory profit before tax	£1.6bn (7)%	↓
CET1 ratio[1]	13.0% 0.2pp	↑
Ordinary dividend	2.25p	↑
Special dividend	0.50p	↑

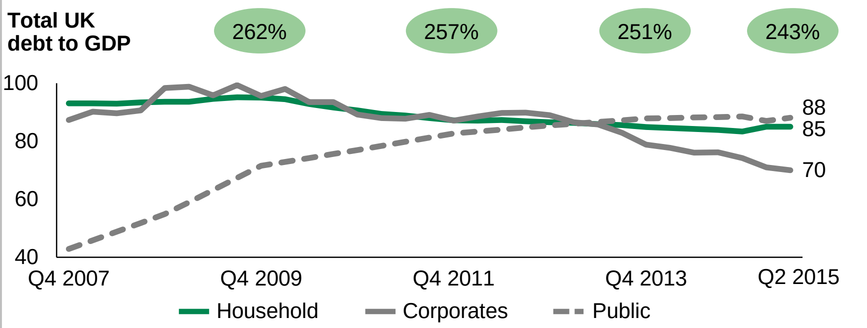
- **Underlying profit increased 5% to £8.1bn**
  - Income up 1% driven by 5% increase in net interest income
  - Recovery in other income in Q4, as expected
  - Cost:income ratio improved to 49.3%
  - 48% reduction in impairment charge, AQR of 14bps
- **Improved underlying return on required equity of 15.0% driven by underlying profit**
- **Statutory profit before tax of £1.6bn, after action on PPI and loss on sale of TSB**
- **CET1[1] ratio improved to 13.0% (13.9% pre-dividends), driven by underlying profit and reduction in RWAs**
- **Total ordinary dividend of 2.25p per share and a special dividend of 0.5p per share**

[1] Pro forma, including Insurance dividend relating to 2015, paid in 2016.

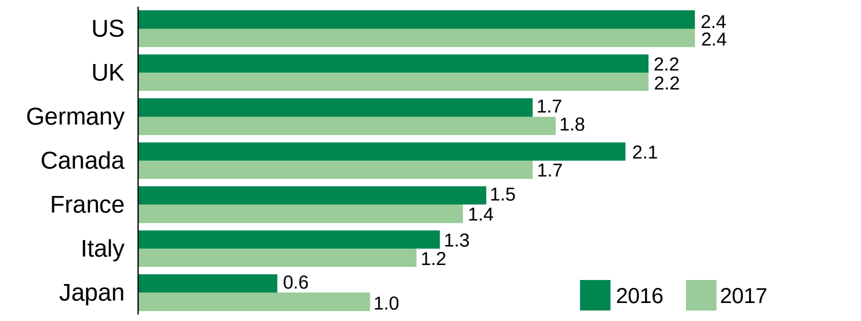
UK ECONOMY

UK economy continues to perform well despite market volatility

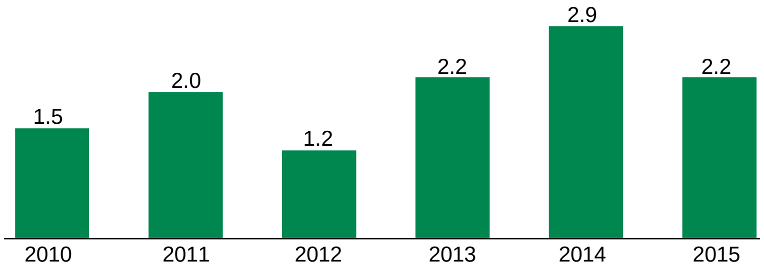
UK debt / GDP[1] (%)



GDP growth forecasts[2] (%)



UK real GDP growth[3] (%)



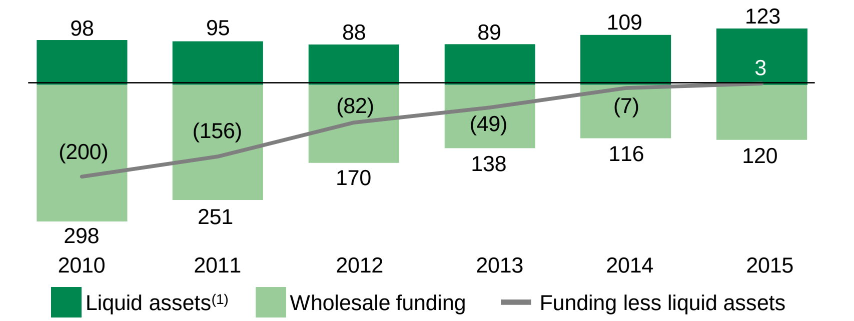
- **Resilient UK GDP growth despite market volatility**
- **Sustainable recovery with continued deleveraging**
- **UK is expected to remain one of the fastest growing developed economies over the next couple of years**
- **Bank base rate lower for longer**

[1] Source: debt data from Bank for International Settlements; GDP data from ONS. [2] Source: Bloomberg December 2015 consensus. [3] Source: ONS.

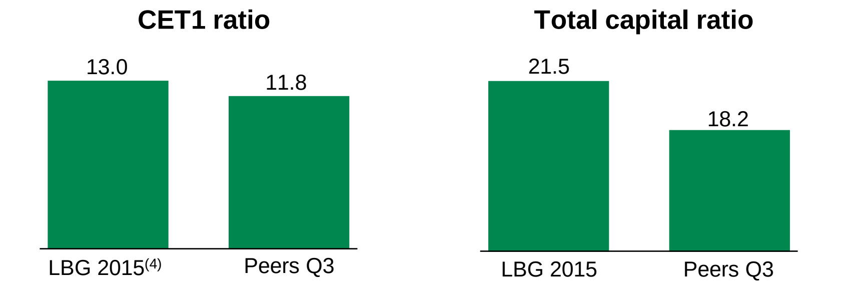
LOW RISK BUSINESS

The Group's strong balance sheet and low risk business model positions us well

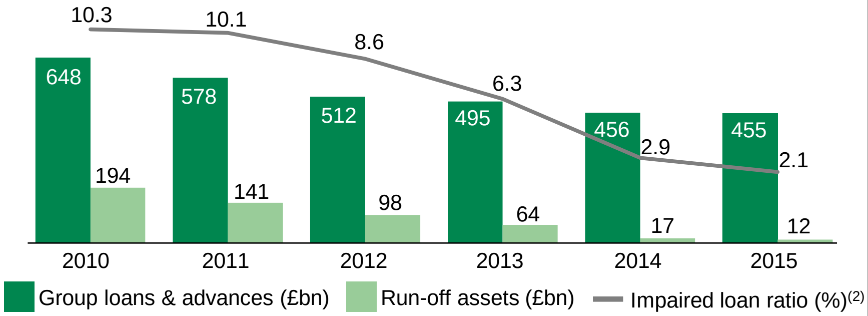
Wholesale funding and liquid assets (£bn)



CET1 and total capital vs. peers[3] (%)



Balance sheet de-risked; run-off assets reduced



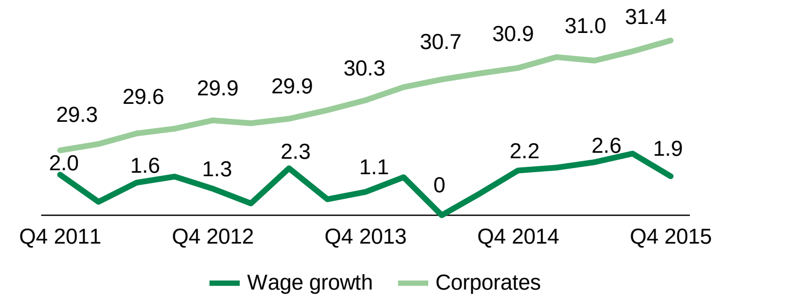
- **Group benefits from strong liquidity, capital and leverage with minimal run-off assets remaining**
- **Recent PRA stress test results highlight resilience to severe stress with no capital actions required**
- **Oil and gas, mining and commodities limited, c.1% of total loans and advances**
- **Modest 2016 debt issuance following sizeable 2015 funding, c.30% issued YTD; AT1 requirement met**

[1] Liquid assets includes on and off balance sheet liquid assets; 2015 LCR eligible, 2010 – 2014 ILAS eligible liquid assets. [2] Impaired loans as a percentage of closing advances.
[3] Peers are RBS, Barclays and HSBC as reported at Q3 2015 and Standard Chartered at HY 2015. [4] LBG: 13.0% pro forma.

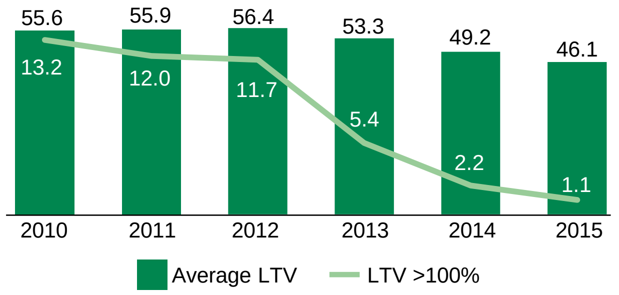
LOW RISK BUSINESS

Mortgage credit quality continues to improve with book supported by employment trends and low interest rates

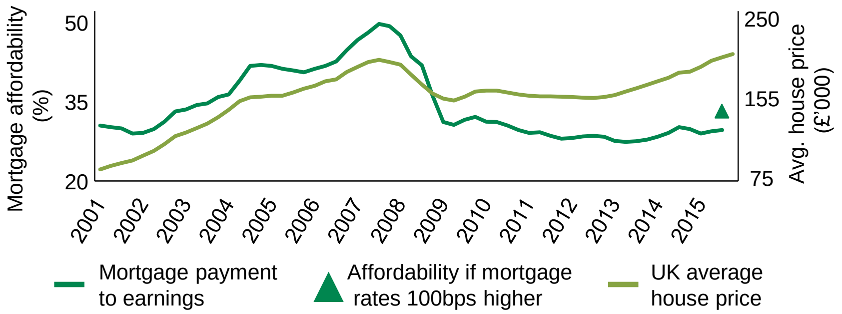
Wage growth[(1)] (%) and employment[(2)] (m)



LBG mortgage portfolio trends (%)



UK mortgage affordability[(3)] (%) & HPI (£'000)



- **UK mortgage market supported by positive labour market trends and low interest rates**
- **Improving incomes means households are well placed for rising rates**
- **LBG mortgage credit quality continues to improve**

(1) Average weekly earnings (total pay) change on previous year, 3 month average – source: ONS. (2) Source: ONS. (3) Affordability: mortgage payments as percentage of earnings. Source: Halifax, LBG calculations.

DIFFERENTIATED BUSINESS MODEL

Our business model enables us to react effectively to the evolving operating environment

LLOYDS BANKING GROUP

	Market trends	LBG business model
Customer	• Expect full service proposition • Increased digital adoption	• Leading multi-channel approach • UK's largest digital bank
Economy	• Resilient UK economy but lower for longer interest rates • Current market volatility	• Simple, UK focused, multi-brand model • Cost leadership • Low risk bank
Competition	• Highly and increasingly competitive UK market	• Multi-brand approach • Targeted growth • Low cost operating model
Regulation	• Increased regulatory requirements • Capital framework • Ring-fencing	• Financial strength (CET1 / leverage ratio) • Simple model, largely within ring-fence

PROGRESS AGAINST STRATEGIC PRIORITIES

Becoming the best bank for customers and shareholders

Creating the best customer experience

- **Leading digital proposition**
  - 11.5m online / 6.6m mobile users
  - c.55% needs met through digital
  - Increased market share (21%)[1]
- **Customer processes enhanced**
- **Net Promoter Score up >50% in last 5 years**
- **Customer complaints remain significantly lower than peer average[2]**

Becoming simpler and more efficient

- **Cost leadership with continued reductions in cost:income ratio**
- **Actively responding to lower rates: accelerated cost delivery and targeting further savings**
- **Ahead of target in delivery of £1bn Simplification savings; £0.4bn achieved to date[3]**
- **Increased automation of end-to-end customer journeys**
- **Investment spend in last 5 years doubled with >£1bn digital investment**

Delivering sustainable growth

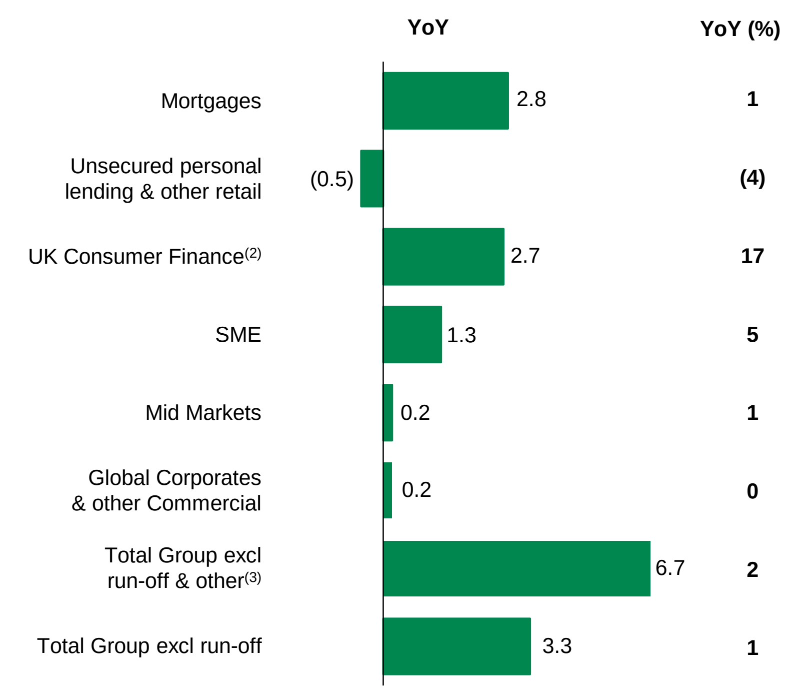
- **Growth in targeted areas**
  - SME lending growth of 5% outperforming the market
  - Consumer Finance customer asset growth of £3.2bn
  - Execution of first external bulk annuity transaction
- **Maintain market leadership in key Retail business lines**
  - Largest lender to first-time buyers
- **Low risk profile maintained**

(1) Retail and Home Insurance H2 digital market share of new business flows (2014: 20%). (2) FCA reportable complaints per 1,000 accounts, excluding PPI, comparison at H1 2015.
(3) Annualised run-rate savings.

DELIVERING SUSTAINABLE GROWTH

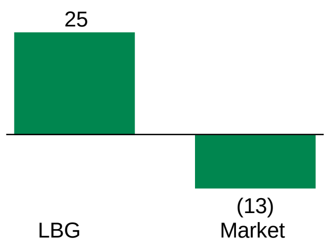
Supporting the UK economy with continued loan growth in targeted customer segments

Net lending growth[1] (£bn)

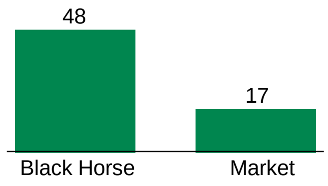


Growth in targeted segments (%)

Net lending growth to SMEs since 2010



Black Horse new business growth since 2013 (CAGR)[4]



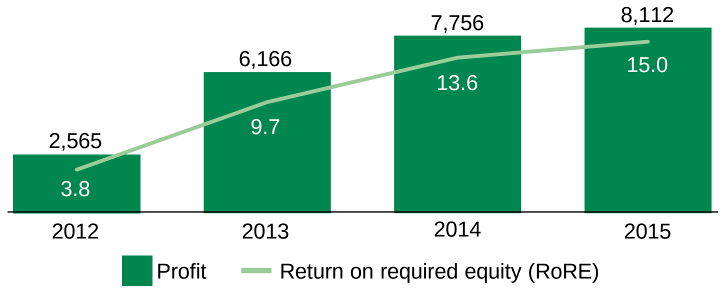
- **Lending up 2% across key customer segments**
- **Mortgage lending growth below market, reflecting margin focus**
  - Continue to support 1 in 4 first-time buyers
- **SME/Mid-market lending growth continues to outperform market**
  - Supported 1 in 5 business start-ups in 2015
- **UK Consumer Finance growth of 17%**
  - 34% increase in motor finance, 4% increase in credit card balances

[1] Excludes TSB. [2] £3.2bn growth in Consumer Finance customer assets, which includes Lex Autolease. [3] Other includes, specialist mortgage book, Intelligent Finance and Dutch mortgages. [4] Black Horse point of sale car finance growth versus market.

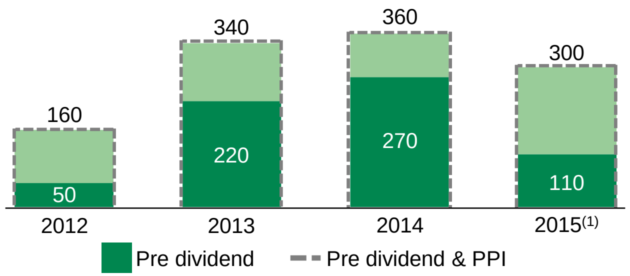
DELIVERING SUPERIOR AND SUSTAINABLE RETURNS

Underlying profit and returns significantly improved with strong capital generation

Underlying profit (£m) and RoRE (%)



Capital generation (bps)



- **Cost discipline and low risk business model providing competitive advantage**
- **Simple, UK focused, multi-brand model and actively responding to lower for longer interest rates**
- **Improved 2016 NIM of c.2.70% expected; AQR of c.20bps expected**
- **Continue to target RoRE of 13.5%–15.0% and cost:income ratio of c.45% with reductions every year**
- **Expect to be delivered in 2018 and as we exit 2019 respectively based on current interest rate assumptions**
- **Capital generation strong: improving guidance to around 200bps CET1 per annum pre-dividend**
- **Well positioned to deliver sustainable growth and superior returns**

(1) Pro forma, including Insurance dividend relating to 2015, paid in 2016.

AGENDA

Delivering for our key stakeholders	**António Horta-Osório** Group Chief Executive
Financial results	**George Culmer** Chief Financial Officer

FINANCIAL PERFORMANCE

Good underlying performance with 5% improvement in profit driven by higher income, lower operating costs and lower impairments

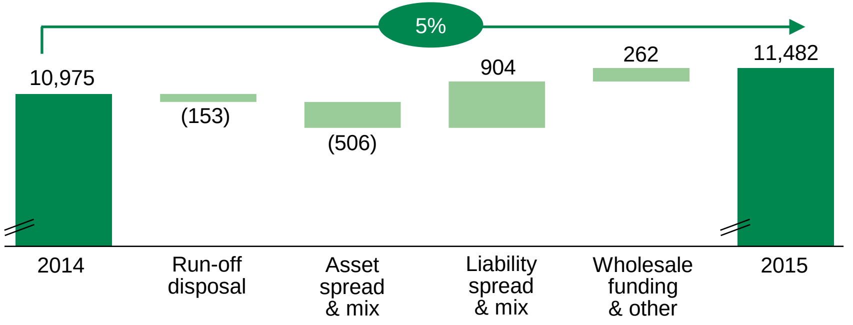
(£m)	2015	2014	Change
Net interest income	**11,482**	10,975	*5%*
Other income	**6,155**	6,467	*(5)%*
Income	**17,637**	17,442	*1%*
Operating costs	**(8,311)**	(8,322)	*0%*
Operating lease depreciation	**(764)**	(720)	*(6)%*
Trading surplus	**8,562**	8,400	*2%*
Impairment	**(568)**	(1,102)	*48%*
Underlying profit	**7,994**	7,298	***10%***
TSB	**118**	458	
Underlying profit	**8,112**	7,756	***5%***

- **Income 1% higher at £17.6bn**
  - Net interest income up 5% reflecting 23bps improvement in NIM
  - Other income recovered in Q4 as expected, despite c.£60m of weather related claims
- **Costs continue to be tightly managed**
  - Operating costs lower despite additional investment in the business and increased bank levy charge
- **Positive operating jaws with cost:income ratio improved to 49.3% from 49.8%**
- **Impairment charge down 48%; AQR of 14bps**
- **Underlying profit up 5% to £8.1bn**

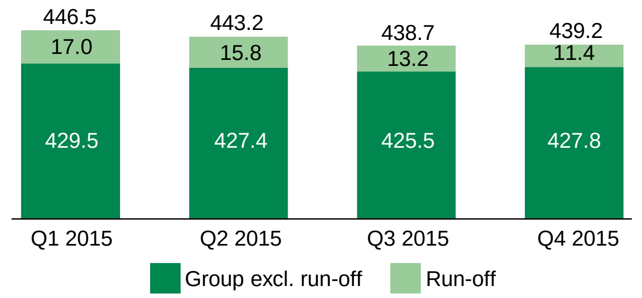
NET INTEREST INCOME

Good net interest income performance reflecting significant improvement in margin

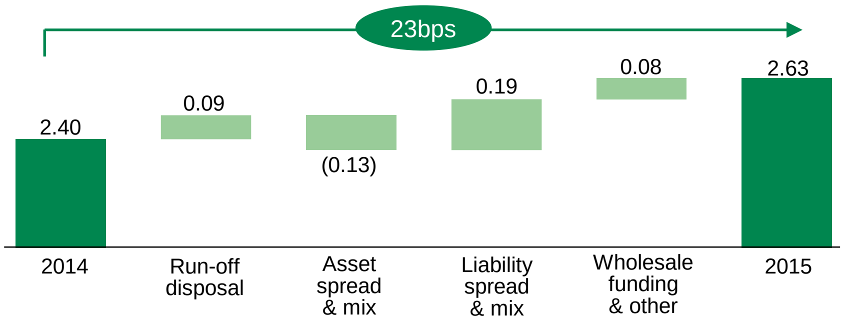
Net interest income (£m)



Average interest earning assets (£bn)



Net interest margin (%)

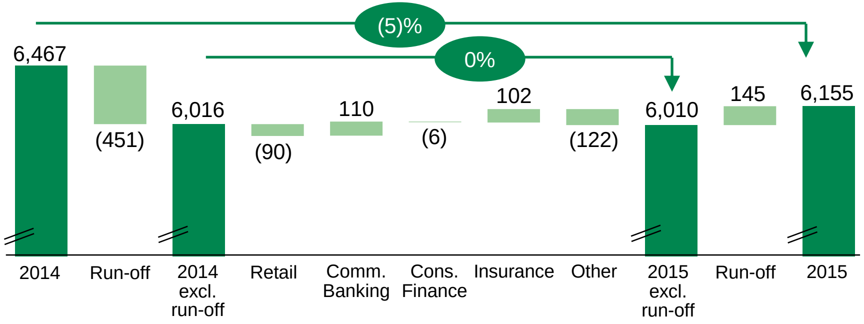


- **NIM of 2.63% up 23bps vs. 2014, driven by**
  - Improved deposit margin and lower funding costs more than offsetting asset pricing pressures
  - Disposal of lower margin run-off assets
- **2016 NIM expected to be around 2.70%**
- **Reduction in AIEAs primarily driven by disposal of run-off assets**

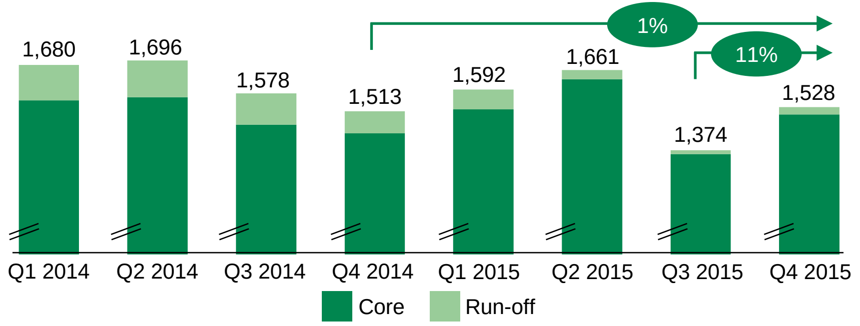
OTHER INCOME

Other income down 5%, largely due to run-off, but recovered in the fourth quarter

Other income (£m)



Other income trend (£m)



Other income (£m)

	2015	2014	Change
Fees and commissions	**2,604**	2,779	*(6)%*
Insurance income[1]	**2,086**	1,944	*7%*
Operating lease income	**1,130**	1,071	*6%*
Other	**190**	222	*(14)%*
Group excluding run-off	**6,010**	6,016	***0%***
Run-off	**145**	451	*(68)%*
Group	**6,155**	6,467	***(5)%***

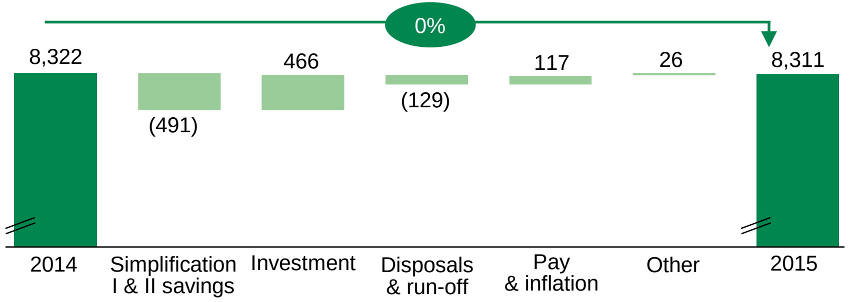
- **Other income down 5% to £6.2bn primarily reflecting further disposal of run-off assets**
- **Other income recovered 11% in Q4, as expected, with improvement driven by**
  - Strong performance in Insurance offset by December's weather related claims (c.£60m)
  - Increase in Commercial Banking led by Global Corporates and Financial Institution client activity

[1] Includes Insurance related income reported by the Retail and Consumer Finance divisions.

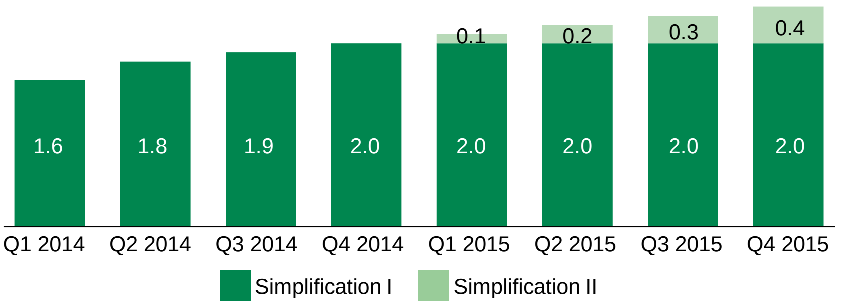
COSTS

Operating costs continue to be tightly managed and are lower than 2014 despite further significant investment in the business

Operating costs (£m)



Simplification run-rate savings (£bn)

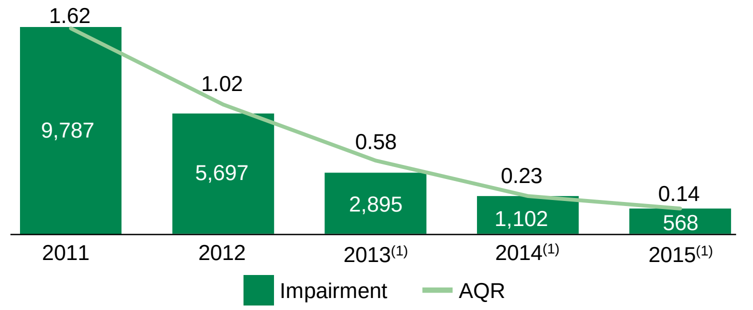


- **Operating costs lower than 2014 driven by Simplification savings, disposals and run-off, despite increased investment in the business**
- **£0.5bn incremental investment in 2015 enabled through further Simplification savings**
- **Accelerated delivery of cost initiatives and targeting further efficiency savings**
- **£0.4bn of Simplification II run-rate savings achieved, ahead of target in delivering £1bn by end of 2017**
- **Cost:income ratio improved to 49.3% from 49.8% and continues to provide competitive advantage**
- **Continue to expect cost:income ratio to fall every year**
- **Cost:income ratio now expected to reach c.45% exiting 2019 based on current interest rate assumptions**

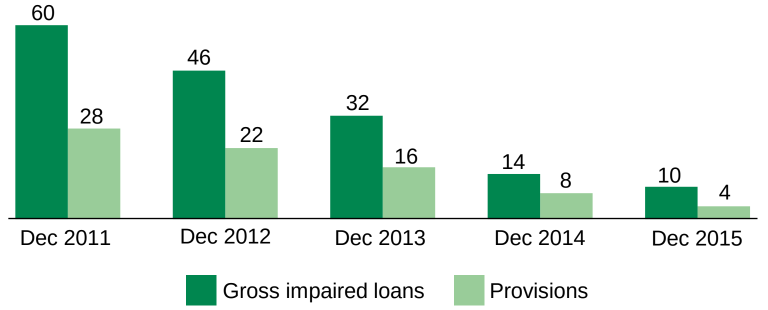
ASSET QUALITY

Significant improvement in impairments reflecting low risk business; AQR of 14bps

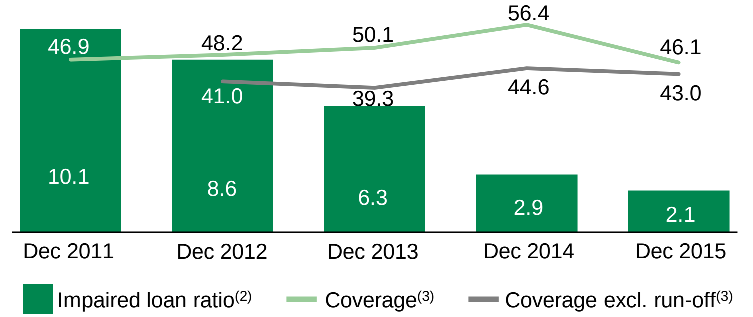
Impairment (£m) & AQR (%)



Gross impaired loans (£bn)



Impaired loan ratio & coverage (%)



- **Impairments down 48% due to a significant reduction in run-off assets and improvements in all divisions**
- **Impaired loan ratio improved significantly to 2.1% from 2.9% at December 2014; coverage remains high**
- **2016 AQR expected to increase to around 20bps, due to lower levels of write-backs and releases**

(1) Excludes TSB. (2) Impaired loans as a percentage of closing loans and advances. (3) Impairment provisions as a percentage of impaired loans.

DIVISIONAL FINANCIAL PERFORMANCE

Good underlying profit performance across all divisions

(£m)	Underlying profit 2015	2014	Change
Retail	**3,514**	3,228	*9%*
Commercial Banking	**2,431**	2,206	*10%*
Consumer Finance	**1,005**	1,010	*0%*
Insurance	**962**	922	*4%*
Other	**197**	108	*82%*
Run-off	**(115)**	(176)	*34%*
Group (excl. TSB)	**7,994**	7,298	***10%***
TSB	**118**	458	
Group	**8,112**	7,756	***5%***

- **Impairment charges lower in all banking divisions**
- **Improved profit in Retail predominantly driven by margin improvement of 11bps**
- **Commercial Banking increase driven by growth in income and lower impairments, with RoRWA of 2.33%; on track to meet >2.40% by end of 2017**
- **Consumer Finance in line after increased investment in growth, supported by lower impairments**
- **Profit growth in Insurance predominantly driven by income from bulk annuity transactions**

FINANCIAL PERFORMANCE

Statutory profit before tax down primarily reflecting higher PPI charges; increased tax rate impacting after tax profits

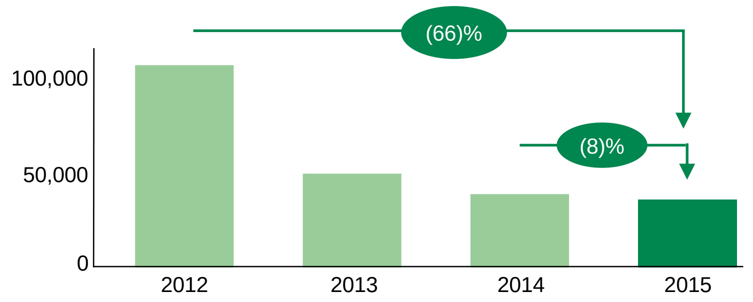
(£m)	2015	2014
Underlying profit	**8,112**	7,756
Asset sales & other items	**(716)**	(1,345)
Simplification	**(170)**	(966)
TSB costs	**(745)**	(558)
PPI	**(4,000)**	(2,200)
Other conduct	**(837)**	(925)
Statutory profit before tax	**1,644**	1,762
Tax	**(688)**	(263)
Statutory profit after tax	**956**	1,499

- **Asset sales and other items in 2015 includes volatility, fair value unwind and amortisation of intangibles**
- **Simplification charges in 2015 significantly lower as they now reflect redundancy costs only**
- **PPI charge of £4.0bn including action in respect of proposed time-bar and Plevin**
- **Other conduct includes FCA fine related to PPI and provision for packaged bank accounts**
- **Effective tax rate of 42%, reflecting non-deductibility of conduct charges**
- **Medium term tax rate now expected to be around 27%**

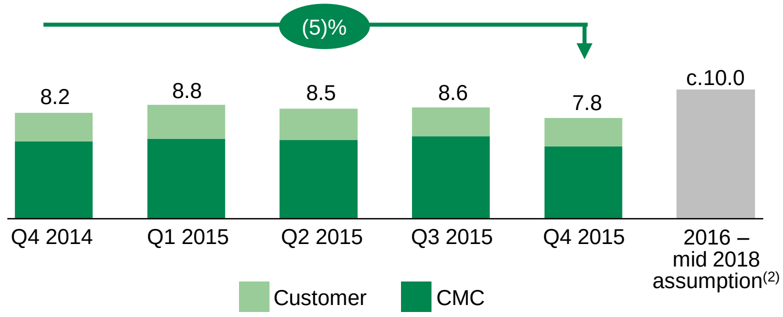
LEGACY ISSUES – PPI

Provision of £4.0bn in 2015, including £2.1bn in Q4 due to FCA consultation

Average complaint volumes per month[1]



Average complaint volumes per week[1] ('000s)



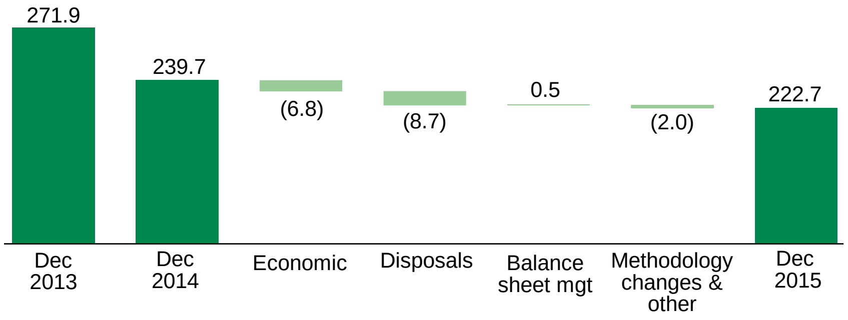
- **Provision increased by £4.0bn in 2015, taking total provision to £16.0bn**
- **£2.1bn charge in Q4 largely reflecting action on proposed FCA time-bar and Plevin**
- **At 31 December 2015, £3.5bn provision is unutilised**
- **Assuming current FCA proposals and average of c.10,000 complaints per week, outstanding provision sufficient for future claims through to mid-2018**
- **Complaint levels could vary significantly during period**
- **Reactive complaint volumes continue to fall with CMC volumes broadly flat and direct customer complaints falling**
- **Impact of proposed fee cap and increased regulation on CMC volumes**

[1] Excludes complaints where no PPI policy is held. [2] Includes Plevin related complaints.

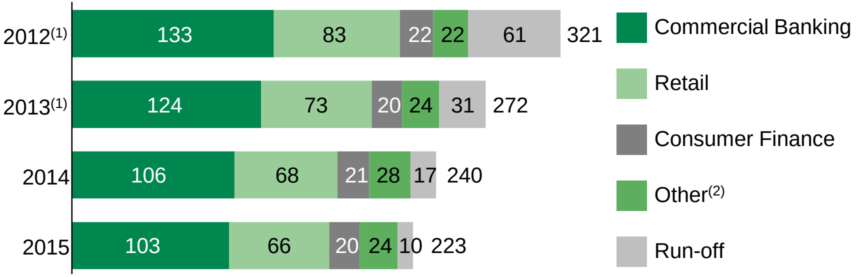
FURTHER STRENGTHENING THE BALANCE SHEET

Continued RWA reduction

RWA reduction drivers (£bn)



Divisional RWA reductions (£bn)



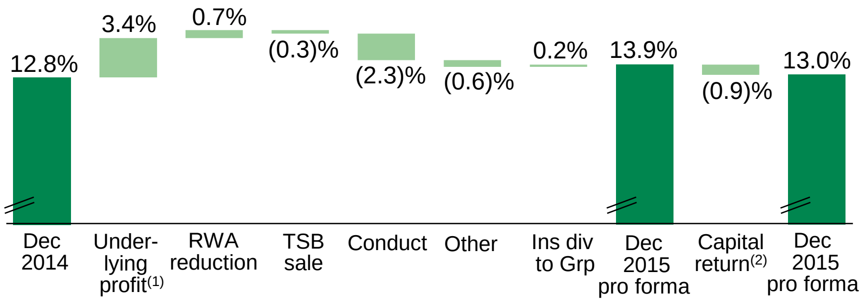
- **RWAs reduced by £17bn primarily driven by**
  - Continued successful disposal of run-off assets
  - General improvement in credit quality
  - Sale of TSB
- **Commercial Banking RWAs reduced by £3bn reflecting continued active portfolio management**
- **Retail RWAs reduced by £2bn reflecting improved risk profile and favourable credit environment**
- **Reduction in Other primarily reflects sale of TSB (£5bn)**

[1] RWAs reflect CRD IV rules as implemented by the PRA at 1 Jan 2014, on a fully loaded basis. [2] Other includes central items, TSB, threshold RWAs and 2013 pro forma adjustments.

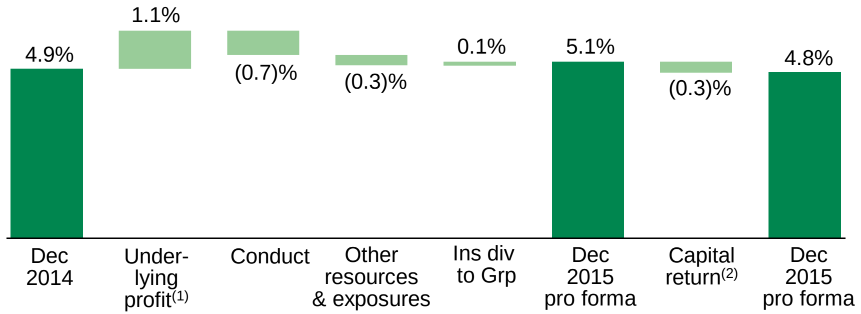
FURTHER STRENGTHENING THE BALANCE SHEET

Highly capital generative business model supports Group's dividend policy

Common equity tier 1 ratio (%)



Leverage ratio (%)



- **Strong pro forma CET1 ratio, improved to 13.0%**
- **Leverage ratio of 4.8%, on a pro forma basis**
- **Pro forma CET1 and leverage ratios include 2015 Insurance dividend (£500m) paid in 2016**
- **CET1 and leverage ratios both benefited from underlying profit, partly offset by conduct and TSB**
- **CET1 ratio also benefited from reduction in RWAs**
- **Total capital remains strong at 21.5%**
- **TNAV per share of 53.8p pre dividend, 52.3p post dividend (2014: 54.9p)**

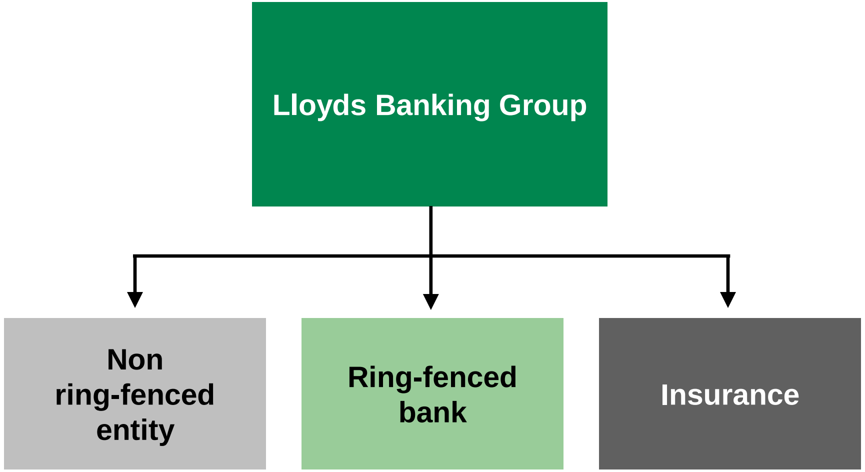
(1) Excluding profit in Insurance business. (2) Capital return comprises 2015 interim and full year ordinary dividends and special dividend.

GROUP STRUCTURE AND FUTURE REGULATORY REQUIREMENTS

Simple, UK focused business model positions us well for ring-fencing and MREL

LLOYDS BANKING GROUP

Group structure under ring-fencing framework



c.3% of loans and advances

Vast majority of banking business will sit in RFB

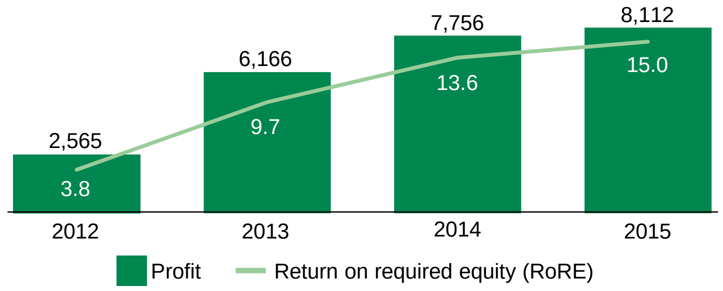
- **Clear plan given simple, UK, retail and commercial business model with minimal customer impact**
- **Vast majority (c.97%) of loans and advances will sit within the ring-fenced bank**
- **Well placed to achieve MREL in 2020 given our diversified funding platform and strong capital position**
- **No material change in funding strategy; expect to meet MREL mainly through re-financing of OpCo debt**

MREL – minimum requirement for own funds and eligible liabilities.

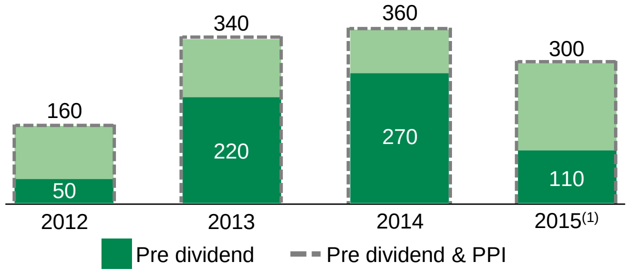
DELIVERING SUPERIOR AND SUSTAINABLE RETURNS

Underlying profit and returns significantly improved with strong capital generation

Underlying profit (£m) and RoRE (%)



Capital generation (bps)



- **Cost discipline and low risk business model providing competitive advantage**
- **Simple, UK focused, multi-brand model and actively responding to lower for longer interest rates**
- **Improved 2016 NIM of c.2.70% expected; AQR of c.20bps expected**
- **Continue to target RoRE of 13.5%–15.0% and cost:income ratio of c.45% with reductions every year**
- **Expect to be delivered in 2018 and as we exit 2019 respectively based on current interest rate assumptions**
- **Capital generation strong: improving guidance to around 200bps CET1 per annum pre-dividend**
- **Well positioned to deliver sustainable growth and superior returns**

(1) Pro forma, including Insurance dividend relating to 2015, paid in 2016.

APPENDIX

MORTGAGE PORTFOLIO LTVS

Further improvement in LTVs

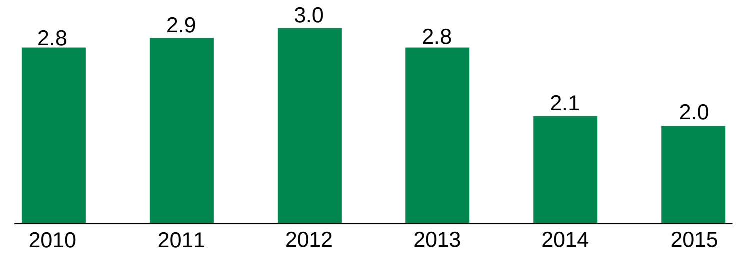
	Dec 2015				Dec 2014	Dec 2013	Dec 2012
	Mainstream	Buy to let	Specialist	Total	Total	Total	Total[1]
Average LTVs	43.6%	56.3%	53.3%	**46.1%**	49.2%	53.3%	56.4%
New business LTVs	65.2%	63.0%	–	**64.7%**	64.8%	64.0%	62.6%
≤80% LTV	86.8%	87.2%	78.9%	**86.4%**	81.9%	70.4%	59.6%
>80–90% LTV	9.0%	8.0%	11.6%	**9.0%**	10.7%	15.6%	16.8%
>90–100% LTV	3.2%	3.9%	5.5%	**3.5%**	5.2%	8.6%	11.9%
>100% LTV	1.0%	0.9%	4.0%	**1.1%**	2.2%	5.4%	11.7%
Value >100% LTV	£2.1bn	£0.5bn	£0.8bn	**£3.4bn**	£6.7bn	£16.2bn	£37.8bn

Indexed by value at 31 December 2015. Specialist lending is closed to new business. [1] Includes TSB.

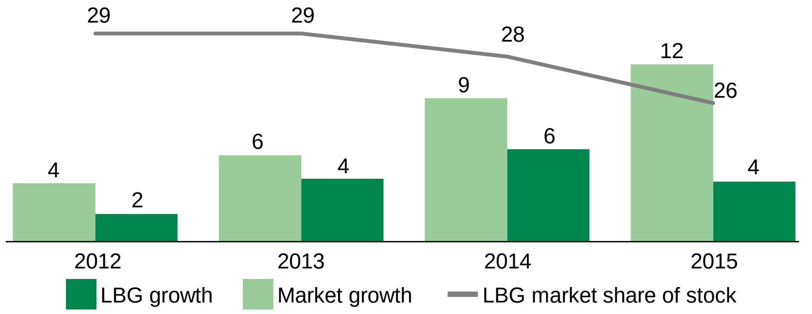
MORTGAGE BOOK QUALITY

Continued improvement in risk profile of mortgage book

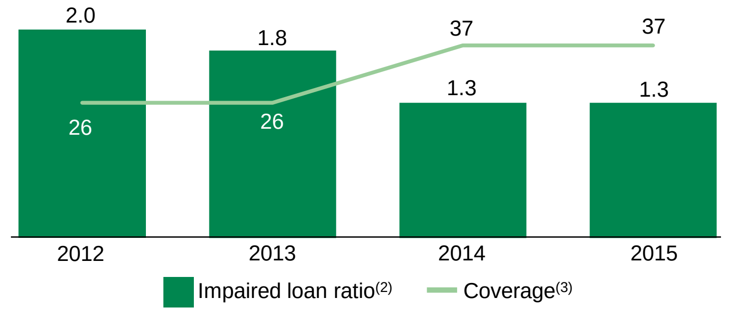
Mortgages greater than 3 months in arrears[1] (%)



Buy-to-let growth vs. market (%)



Mortgages (%)



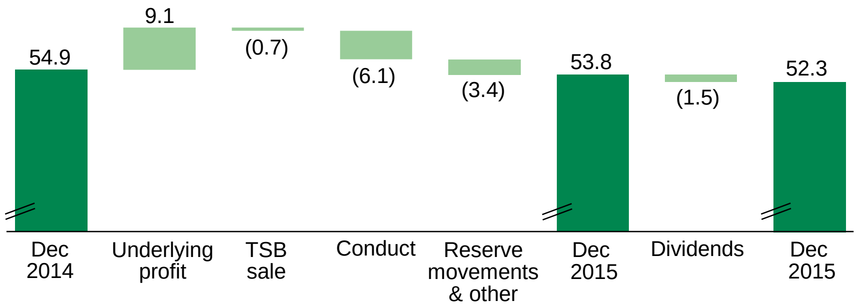
- **Buy-to-let (BTL) growth significantly lower than market at 4%**
- **Market share of new BTL lending (19%) below mortgage market share (21%)**
- **Low risk approach applied to new BTL mortgages**
  - Max LTV of 75% with conservative rental coverage
  - Max customer exposure of £2m and 3 BTL properties
  - Arrears performance better than mainstream book

(1) 2010 – 2012 includes TSB. (2) Impaired loans as a percentage of closing loans and advances. (3) Impairment provisions as a percentage of impaired loans.

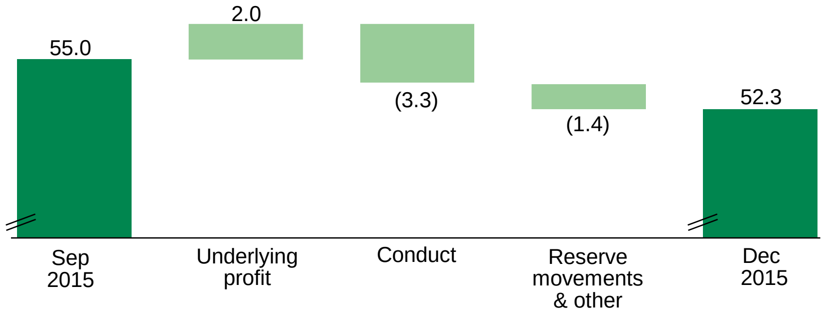
TANGIBLE NET ASSET VALUE

Movement in TNAV per share reflects good underlying profit offset by conduct charges and reserve movements, and the payment of dividends

Tangible net assets per share (p) – Dec to Dec



Tangible net assets per share (p) – Sept to Dec



- **TNAV per share of 52.3p (2014: 54.9p) reflects**
  - Good underlying profit
  - Conduct charges, largely reflecting additional PPI charges
  - Loss on the sale of TSB
  - Adverse movements in both the AFS reserve and cash flow hedge reserve
  - Payment of FY 2014 and interim 2015 dividends
- **Positive reserve and other movements so far in 2016; cash flow hedge and pensions benefiting from lower rates. TNAV estimated at 55.6p at 19 February 2016**

AVERAGE INTEREST EARNING ASSETS

Ongoing business AIEAs broadly flat in 2015

AIEAs[1] and customer loans (£bn)

	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net loans and advances	**455.2**	455.0	452.3	455.1
Impairment provisions	**4.4**	4.9	7.0	7.4
Non banking items:				
Fee based loans & advances	**(10.1)**	(8.0)	(7.2)	(6.4)
Sale of assets to Insurance	**(5.7)**	(5.3)	(5.2)	(4.7)
Other non-banking	**(5.6)**	(6.2)	(5.5)	(6.6)
Gross loans and advances (banking)	**438.2**	440.4	441.4	444.8
Averaging	**1.0**	(1.7)	1.8	1.7
AIEAs (banking)	**439.2**	438.7	443.2	446.5
AIEAs (banking YTD)	***441.9***	*442.8*	*444.8*	*446.5*

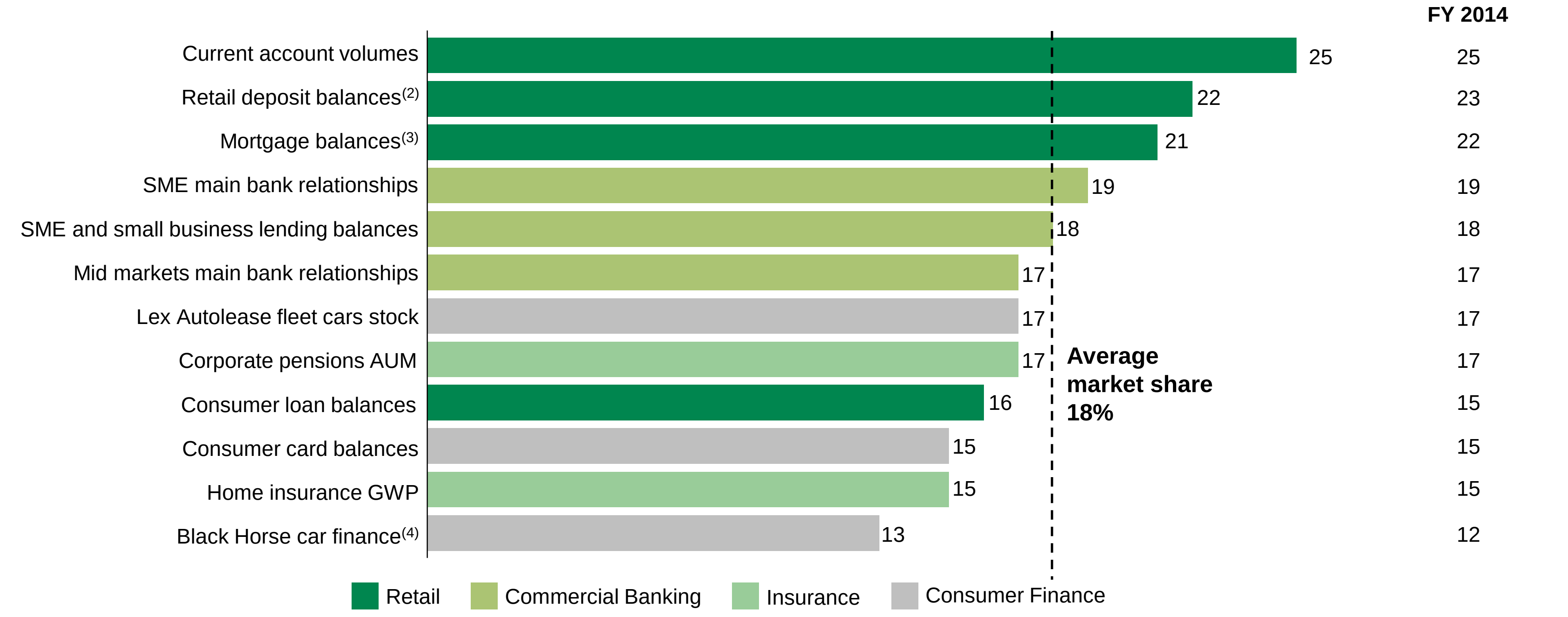
- **Average interest earning assets are gross of impairments**
- **AIEAs are customer and product balances in banking businesses on which interest is earned**
- **Non-banking items largely comprise**
  - Fee based loans & advances in Commercial Banking
  - Loans sold to the Insurance business to support the annuity business
- **Largest driver of reduction in AIEAs in 2015 was the disposal of run-off assets, ongoing business AIEAs broadly flat**

[1] Average interest earning assets.

MARKET SHARE

Continue to deliver sustainable growth in targeted areas

LBG market share[1] (%)



[1] Source: CACI, BoE, FLA, Experian, BBA, ABI. All positions at FY 2015, except current account volumes at November 2015 and Home Insurance. [2] Change in methodology versus previous versions to use 'individual deposits' in place of 'household deposits' and to include wealth balances. [3] Open book only. BoE restated mortgage market size in June 2015. [4] Black Horse point of sale new business flow share.

FORWARD LOOKING STATEMENT AND BASIS OF PRESENTATION

FORWARD LOOKING STATEMENTS

This document contains certain forward looking statements with respect to the business, strategy and plans of Lloyds Banking Group and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about Lloyds Banking Group's or its directors' and/or management's beliefs and expectations, are forward looking statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. Factors that could cause actual business, strategy, plans and/or results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements made by the Group or on its behalf include, but are not limited to: general economic and business conditions in the UK and internationally; market related trends and developments; fluctuations in exchange rates, stock markets and currencies; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group's credit ratings; the ability to derive cost savings; changing customer behaviour including consumer spending, saving and borrowing habits; changes to borrower or counterparty credit quality; instability in the global financial markets, including Eurozone instability, the potential for one or more countries to exit the Eurozone or European Union (EU) (including the UK as a result of a referendum on its EU membership) and the impact of any sovereign credit rating downgrade or other sovereign financial issues; technological changes and risks to cyber security; natural, pandemic and other disasters, adverse weather and similar contingencies outside the Group's control; inadequate or failed internal or external processes or systems; acts of war, other acts of hostility, terrorist acts and responses to those acts, geopolitical, pandemic or other such events; changes in laws, regulations, accounting standards or taxation, including as a result of further Scottish devolution; changes to regulatory capital or liquidity requirements and similar contingencies outside the Group's control; the policies, decisions and actions of governmental or regulatory authorities or courts in the UK, the EU, the US or elsewhere including the implementation and interpretation of key legislation and regulation; the ability to attract and retain senior management and other employees; requirements or limitations imposed on the Group as a result of HM Treasury's investment in the Group; actions or omissions by the Group's directors, management or employees including industrial action; changes to the Group's post-retirement defined benefit scheme obligations; the provision of banking operations services to TSB Banking Group plc; the extent of any future impairment charges or write-downs caused by, but not limited to, depressed asset valuations, market disruptions and illiquid markets; the value and effectiveness of any credit protection purchased by the Group; the inability to hedge certain risks economically; the adequacy of loss reserves; the actions of competitors, including non-bank financial services and lending companies; and exposure to regulatory or competition scrutiny, legal, regulatory or competition proceedings, investigations or complaints. Please refer to the latest Annual Report on Form 20-F filed with the US Securities and Exchange Commission for a discussion of certain factors together with examples of forward looking statements. Except as required by any applicable law or regulation, the forward looking statements contained in this document are made as of today's date, and Lloyds Banking Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements.

BASIS OF PRESENTATION

The results of the Group and its business are presented in this presentation on an underlying basis. The principles adopted in the preparation of the underlying basis of reporting are set out on the inside front cover of the 2015 Full Year Results News Release.